

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 21, 2010
POSITION: Neutral

BILL NUMBER: AB 2240
AUTHOR: F. Ma

BILL SUMMARY: Agricultural Processors and Dealers: Licensing Fees

This bill would amend existing law related to the licensing of handlers and processors of California farm products, including (but not limited to) increasing the fees for licenses and complaints, as specified.

FISCAL SUMMARY

The fee increases proposed by this bill are anticipated to generate approximately \$200,000 to \$250,000 in additional revenues to improve the declining condition of the continuously appropriated subaccount (within the Food and Agriculture Fund) that supports the California Department of Food and Agriculture's (CDFA) Market Enforcement Branch. This measure would not impact the General Fund or the existing program expenditure level.

We note that the annual expenditures from the subaccount are greater than the annual revenues, thus reducing the reserve. The proposed fee increases would help stabilize the subaccount and more appropriately align revenues with program costs. The existing imbalance appears to be partly due to an insufficient license fee to cover the cost of processing the application for growers with less than a \$20,000 volume of business. In addition, increases in salaries and benefits over time as a result of various bargaining unit contracts have contributed to the imbalance, and as a result, related overhead costs that are not within the department's control have also increased.

COMMENTS

Existing law requires a person engaged in the processing or manufacturing (or purchasing for processing or manufacturing) of any farm product and a person that buys, receives on consignment, solicits for sale on commission, or negotiates the sale of any farm product for resale to be licensed by the CDFA and to pay an annual license application fee, as provided.

Existing law required the CDFA to re-evaluate the fee structure based on operating costs in fiscal years 1998-99 and 1999-2000 (after the reforms and license fee reductions of Chapter 696, Statutes of 1997, were implemented) and report to the Legislature, as specified.

Existing law authorizes an aggrieved grower or licensee, as provided, to file a complaint with the CDFA and pay a \$60 fee used toward a settlement of the dispute.

This bill, among other things, would increase the fees for licenses and complaints (as provided), authorize the CDFA to re-evaluate the fee structure based on operating costs, and allow the Secretary of Food and Agriculture to appoint an advisory committee of producers and licensees to provide guidance in establishing fees (or rely on input from an existing committee).

Analyst/Principal (0222) J. Fitzpatrick	Date	Assistant Program Budget Manager Nona Martinez	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
1256/Othr Reg Fee		RV	No	U	\$100 - 125	U	\$200 - 250	U	\$200 - 250	0111
8570/Food & Ag		SO	No		-----	No/Minor	Fiscal Impact	-----		0111
<u>Fund Code</u>	<u>Title</u>									
0111	Department of Agriculture Account, Ag Fd									